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16 February 1968

MEMORANDUM FOR: Mr. Duckett

1. At the Contract Review Board meeting yesterday, the attached memorandum by [] was discussed in some detail. I had mentioned at a DD/S&T Staff meeting some time ago the proper concern in these cases where contractors proceed to do work without any contract, and in the [] case without even a proposal in hand. This is totally inexcusable in these year-after-year contracts, and I suspect Logistics may begin to get stiffer about these things.

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2. Two other significant items came up. A contract for TSD was OK'd with [] on a fixed-price incentive basis. You will recall that [] had done a very shabby job in the past in their fiscal areas. Lo and behold when the negotiating team arrived on this contract, [] alleged that their five top finance guys had just been hired by Grumman. By coincidence, when [] et al was taking a hard look and arrived on the scene, lo and behold their top financial guys had just been hired by another company. Although the fixed-price incentive contract is a great improvement over the fixed-price contract originally proposed, this "ignorance" on [] part clearly begins to look like a calculated shrewd-boy-from-the-country move which could provide landfall profits on a fixed-price contract. Logistics continues to think that the pricing data remains lousy.

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3. Another contract considered was a [] extension of DDP's contract with [] for support on []. Prior expenditures with [] to the first of March this year will be []. Two things cause problems here. [] is insisting, apparently, that although their guys primarily work in this building (and may in fact live closer to CIA than to their own offices []) they be paid mileage --- it's company policy. This seems to be an on-again/off-again policy, for I find that [] worked out a contract with [] for [] in which the guy involved does not get mileage. Art will get with [] on this situation which clearly

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demonstrates the need for tight coordination in those situations where we have a number of contracts with one contractor. (I really find it hard to lay down this old harp).

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4. The second item with [] pertains to an item in their G&A for their Independent Research and Development program. This program is negotiated with DoD. Regardless, however, I feel that we should not accept this item unless (1) we have a hand in approving the program, and (2) we have royalty-free license to any results of the program. I don't know how we can do one thing one day and something different the next day. In this case, of course, because the contract is essentially for bodies only, I feel that any independent research charge is inappropriate. Sure, on this contract it is only 4 or 5 thousand dollars, but these 2 to 5 percents if tacked on to the entire Agency R&D program get to be something like \$ [] If we are not going to get [] worth of benefits, I don't think we should go along with the expenditure. [] is looking into this, and I feel that aside from the principles involved, the really important thing is that the Agency develop the necessary policies and be consistent in applying them-- which can't help but improve our reputation and perhaps even save some money.

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5. I discussed these in some detail at the staff meeting yesterday, and am providing copies of [] memo to each Office Director.



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